

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|-------------------------------|--|------------------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Village of Nashville | County Barry |
| Audit Date 2/28/06 | Opinion Date 5/5/06 | Date Accountant Report Submitted to State: 6/26/06 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

Certified Public Accountant (Firm Name)

Walker, Fluke & Sheldon, PLC

Street Address

525 W Apple St

City

Hastings

State

MI

ZIP

49058

Accountant Signature

Date

6/26/06

Katherine K. Sheldon, CPA



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To the Village Council
Village of Nashville
Barry County, Michigan

We have recently completed the audit of the financial statements of the Village of Nashville, Barry County, Michigan, for the year ended February 28, 2006 and have forwarded the report to you under separate cover. During the course of the audit, the following item came to our attention, which requires further comment.

Budgeting

P.A. 621 of 1978, Section 17, provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues plus available fund balance will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended February 28, 2006, the Village over expended the budget in five areas. Two violations were caused by year-end adjustments. The Village currently monitors the budget and makes amendments periodically from time to time and will continue to do so.

We would like to take this opportunity to thank the employees and elected officials for the cooperation extended to us during the recent audit. We would be happy to discuss the above comments or any other matters with you at your request.

May 5, 2006

Walker, Fluke & Sheldon, PLC

VILLAGE OF NASHVILLE
FINANCIAL STATEMENTS
For the year ended February 28, 2006

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Nashville
Barry County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Nashville, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Nashville, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Nashville, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2006, on our consideration of the Village of Nashville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management discussion and analysis and required supplementary information list in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Nashville's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Nashville, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
May 5, 2006

Walker, Fluke & Sheldon, PLC

Village of Nashville Management Discussion and Analysis

As the Village Council of the Village of Nashville, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Village of Nashville for the fiscal year ended February 28, 2006. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

Financial Highlights

- The assets of Village of Nashville exceeded its liabilities at the close of the most recent fiscal year by \$5,335,629 (net assets) compared to \$5,369,558 last year. Of this amount, \$774,370 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$33,929 compared to \$86,999 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$573,782, a decrease of \$160,843 compared to an ending fund balance of \$734,625 a decrease of \$29,454 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$117,491 or 19.88% of total general fund expenditures. Last year the unreserved fund balance for the general fund was \$734,625 or 33.59% of total general fund expenditures. Although the fund balance decreased from the prior year, the Village is still in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

Overview of the Financial Statements

The Village of Nashville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Nashville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: government funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows

and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Nashville maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Streets and Local Streets, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-11 of this report.

Proprietary funds. The Village maintains two types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for the Water Fund and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, both of which are considered to be major funds of the Village. The proprietary fund financial statements can be found on pages 12-14 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Village's own programs. The fiduciary fund financial statement can be found on page 15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16-29 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Village adopts an annual budget for its general fund, major street fund and local street fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 30-33 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 34-44.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Village of Nashville, assets exceeded liabilities by \$5,335,629 at the close of the most recent fiscal year.

\$774,370 of the Village's net assets (14.52 percent) reflects its unrestricted net assets, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net assets (5.62 percent) reflects restricted net assets (\$299,697), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net assets (79.86 percent) reflects its investment in capital assets (\$4,261,562) (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Nashville's Condensed Financial Data

| | Governmental | | Business-Type | |
|--------------------------------|---------------------|---------------------|----------------------|---------------------|
| | 2006 | 2005 | 2006 | 2005 |
| Current and Other Assets | \$ 633,950 | \$ 789,280 | \$ 492,657 | \$ 448,351 |
| Capital Assets | 737,455 | 552,019 | 5,694,107 | 5,906,752 |
| Total Assets | <u>1,371,405</u> | <u>1,341,299</u> | <u>6,186,764</u> | <u>6,355,103</u> |
| Short-Term Liabilities | 17,851 | 13,954 | 140,033 | 141,423 |
| Long-Term Liabilities | 1,656 | 1,467 | 2,063,000 | 2,170,000 |
| Total Liabilities | <u>19,507</u> | <u>15,421</u> | <u>2,203,033</u> | <u>2,311,423</u> |
| Net Assets | | | | |
| Invested in Capital Assets, | | | | |
| Net of Related Debt | 737,455 | 552,019 | 3,524,107 | 3,629,752 |
| Restricted | 26,340 | 47,508 | 273,357 | 130,326 |
| Unrestricted | 588,103 | 726,351 | 186,267 | 283,602 |
| Total Net Assets | <u>\$ 1,351,898</u> | <u>\$ 1,325,878</u> | <u>\$ 3,983,731</u> | <u>\$ 4,043,680</u> |
| Program Revenues | | | | |
| Charges for Services | \$ 19,649 | \$ 23,169 | \$ 457,306 | \$ 426,452 |
| General Revenues | | | | |
| Property Taxes | 286,275 | 319,194 | - | - |
| Licenses and Permits | 3,353 | 3,658 | - | - |
| Federal Grants | - | 4,943 | - | - |
| State Grants | 320,969 | 327,362 | - | - |
| Contributions from Local Units | - | 2,400 | - | - |
| Investment Income | 5,844 | 3,956 | - | - |
| Other | 59,652 | 44,436 | - | - |
| Business-Type Revenues | | | | |
| Investment Income | - | - | 6,643 | 9,693 |
| Other | - | - | - | 7,100 |
| Total Revenues | <u>695,742</u> | <u>729,118</u> | <u>463,949</u> | <u>443,245</u> |
| Program Expenses | | | | |
| Governmental Activities | | | | |
| Legislative | 22,876 | 24,442 | - | - |
| General Government | 57,071 | 58,041 | - | - |
| Public Safety | 231,987 | 197,434 | - | - |
| Public Works | 140,107 | 162,376 | - | - |
| Health and Welfare | 16,000 | 13,000 | - | - |
| Recreational and Cultural | 27,392 | 18,032 | - | - |
| Streets and Highways | 106,915 | 182,292 | - | - |
| Cemetery | 12,542 | 18,227 | - | - |
| Other | 54,832 | 34,639 | - | - |
| Loss on Disposal | - | 5,397 | 3,242 | - |
| Business-Type Activities | | | | |
| Water | - | - | 227,914 | 243,846 |
| Sewer | - | - | 206,295 | 211,130 |
| Interest and fiscal charges | - | - | 86,447 | 90,506 |
| Total Expenses | <u>669,722</u> | <u>713,880</u> | <u>523,898</u> | <u>545,482</u> |
| Change in Net Assets | <u>\$ 26,020</u> | <u>\$ 15,238</u> | <u>\$ (59,949)</u> | <u>\$ (102,237)</u> |

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the Village's net assets by \$26,020, mainly due to the fact that expenditures were down slightly and controlled responsible spending by the Village Council.

For the most part, expenses were comparable with prior year. Public Works gas and oil increased due to rising gas prices and more vehicles in service. Public Works contract labor increased due to more sidewalk improvements. The Ambulance Board expense increased due to an increase in the new contract.

Business-Type activities. Business-type activities decreased the Village's net assets by \$59,949 mainly due to the fact that water and sewer rates are not high enough to support the corresponding expenses of those funds.

Financial Analysis of the Village's Funds

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$573,782, a decrease of \$160,843. Last year, the Village's governmental funds combined ending fund balance was \$734,625, which was a decrease of \$29,454.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$117,491 and the total fund balance was \$360,626. Unreserved fund balance represents 19.88% of the total general fund expenditures.

The fund balance of the Village's general fund decreased by \$118,400 during the current fiscal year, mainly due to decreases in state shared revenue and increases in public safety, public works and locally administered street expenses.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the Village's water fund reported unrestricted net assets of \$103,616. The Water Fund had a decline in net assets of \$18,517. The Village's Sewer Fund reported unrestricted net assets of \$82,651 at the end of the year. The Sewer Fund had a decline in net assets of \$41,432. The Village recognizes the declines in the water and sewer funds and are in the process of bringing water and sewer rates to where they need to be.

General Fund Budgetary Highlights

The amended revenue budget increased from the original budget by \$2,898 mainly due to an amendment related to an insurance reimbursement, a decrease in charges for services and other minor changes. The expenditures increased \$118,091 between the original budget and the final budget. The majority of the increases in appropriations can be summarized with the following increases:

- \$11,351 increase to parks
- \$24,450 increase to police
- \$6,631 increase to locally administered streets
- \$90,732 increase to garage and maintenance
- \$21,790 decrease to sidewalk replacement

The majority of budget amendments were to police and garage and maintenance for increase in police coverage and capital outlay purchases.

During the year, however, revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates. Operating transfers to other funds resulted in a need to draw upon fund balance in the general fund.

Capital Assets

The Village's investment in capital assets for its governmental activities as of February 28, 2006, amounts to \$737,455 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included a street sweeper, a park pavilion and playground equipment. Details of the Village's capital assets are continued in the notes to the financial statements on page 24-26.

Long-Term Debt

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$2,170,000 and general obligation debt of \$6,644. The Village's debt represents bonds secured by specified revenue sources and compensated absences, respectively.

The Village's Outstanding Debt General Obligation and Revenue Bonds

| | Governmental-Type Activities | | Business-Type Activities | | Total | |
|-------------------------|---------------------------------|----------|-----------------------------|--------------|--------------|--------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Primary Government: | | | | | | |
| Revenue Bonds | \$ - | \$ - | \$ 2,170,000 | \$ 2,277,000 | \$ 2,170,000 | \$ 2,277,000 |
| Compensated Absences | 6,644 | 7,448 | - | - | 6,644 | 7,448 |
| Total | \$ 6,644 | \$ 7,448 | \$ 2,170,000 | \$ 2,277,000 | \$ 2,176,644 | \$ 2,284,448 |

The Village's debt decreased by \$107,804 (4.72%) during the current fiscal year. The net reduction was mainly attributable to making debt service payments as they came due.

Additional information on the Village's long-term debt can be found on pages 27 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State shared revenues are expected to decrease in the 2006-2007 fiscal year. The Village budgeted for a decrease in state-shared revenue. The Village's millage rate will remain the same. The taxable value will increase, thus bringing in more tax revenue. The Village has planned for automatic cost of living increases in water and sewer rates. During the year, the Village started a master plan, which will be completed in the current year. The Village has plans to purchase a new police car for roughly \$25,000. There are also plans to replace and update some water mains at a 40/60 match, resulting in a cost of roughly \$50,000. At this time, the Village has no other plans for any large construction projects in the current year. These factors were considered in preparing the Village's budget for the 2006-2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Village of Nashville's finances for all those with an interest in the village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Village of Nashville, 203 N Main Street, Nashville, MI 49073. 517-852-9544

VILLAGE OF NASHVILLE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 28, 2006

| ASSETS | Primary Government | | |
|--|--------------------------------|---------------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Cash and Cash Equivalents | \$ 455,453 | \$ 169,727 | \$ 625,180 |
| Investments | 2,000 | - | 2,000 |
| Receivables (Net) | | | |
| Taxes - Delinquent | 43,282 | - | 43,282 |
| Special Assessment | 8,578 | - | 8,578 |
| Accounts | | 48,214 | 48,214 |
| Connection Fees | - | 6,478 | 6,478 |
| Other | - | 5,800 | 5,800 |
| Due From State | 79,990 | - | 79,990 |
| Due From Other Funds | 7,252 | - | 7,252 |
| Internal Balances | 10,919 | (10,919) | - |
| Restricted Assets | 26,476 | 273,357 | 299,833 |
| Capital Assets (Net of Accumulated Depreciation) | <u>737,455</u> | <u>5,694,107</u> | <u>6,431,562</u> |
| Total Assets | <u>1,371,405</u> | <u>6,186,764</u> | <u>7,558,169</u> |
| LIABILITIES | | | |
| Accounts Payable | 5,611 | - | 5,611 |
| Accrued Liabilities | - | 33,033 | 33,033 |
| Due To Other Funds | 7,252 | - | 7,252 |
| Noncurrent Liabilities | | | |
| Due Within One Year | 4,988 | 107,000 | 111,988 |
| Due In More Than One Year | <u>1,656</u> | <u>2,063,000</u> | <u>2,064,656</u> |
| Total Liabilities | <u>19,507</u> | <u>2,203,033</u> | <u>2,222,540</u> |
| NET ASSETS | | | |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 737,455 | 3,524,107 | 4,261,562 |
| Restricted for Debt Service | - | 273,357 | 273,357 |
| Restricted for Locally Administered Streets | 26,340 | - | 26,340 |
| Unrestricted | <u>588,103</u> | <u>186,267</u> | <u>774,370</u> |
| Total Net Assets | <u>\$ 1,351,898</u> | <u>\$ 3,983,731</u> | <u>\$ 5,335,629</u> |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
February 28, 2006

| | | Program Revenues | Net (Expense) Revenue and Changes in Net Assets | | |
|--------------------------------|--------------|----------------------|---|--------------------------|--------------|
| Functions/Programs | Expenses | Charges for Services | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| Legislative | \$ 22,876 | \$ - | \$ (22,876) | \$ - | \$ (22,876) |
| General Government | 57,071 | - | (57,071) | - | (57,071) |
| Public Safety | 231,987 | 1,994 | (229,993) | - | (229,993) |
| Public Works | 140,107 | 8,816 | (131,291) | - | (131,291) |
| Health and Welfare | 16,000 | - | (16,000) | - | (16,000) |
| Recreational and Cultural | 27,392 | - | (27,392) | - | (27,392) |
| Streets and Highways | 106,915 | - | (106,915) | - | (106,915) |
| Cemetery | 12,542 | 8,839 | (3,703) | - | (3,703) |
| Other | 54,832 | - | (54,832) | - | (54,832) |
| Total Governmental Activities | 669,722 | 19,649 | (650,073) | - | (650,073) |
| Business-type Activities | | | | | |
| Water | 227,914 | 272,649 | - | 44,735 | 44,735 |
| Sewer | 206,295 | 184,657 | - | (21,638) | (21,638) |
| Interest and Fiscal Charges | 86,447 | - | - | (86,447) | (86,447) |
| Total Business-type Activities | 520,656 | 457,306 | - | (63,350) | (63,350) |
| Total Primary Government | \$ 1,190,378 | \$ 476,955 | (650,073) | (63,350) | (713,423) |
| General Revenues | | | | | |
| Taxes and Penalties | | | 286,275 | - | 286,275 |
| Licenses and Permits | | | 3,353 | - | 3,353 |
| State Grants | | | 320,969 | - | 320,969 |
| Investment Income | | | 5,844 | 6,643 | 12,487 |
| Other | | | 59,652 | - | 59,652 |
| Total General Revenue | | | 676,093 | 6,643 | 682,736 |
| Loss on Disposal of Asset | | | - | (3,242) | (3,242) |
| Change in Net Assets | | | 26,020 | (59,949) | (33,929) |
| Net Assets-Beginning | | | 1,325,878 | 4,043,680 | 5,369,558 |
| Net Assets-Ending | | | \$ 1,351,898 | \$ 3,983,731 | \$ 5,335,629 |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
GOVERNMENT FUND BALANCE SHEET
February 28, 2006

| ASSETS | General | Major Streets | Local Streets | Non-Major Governmental Funds | Total Governmental Funds |
|--|--------------------------|-------------------------|--------------------------|-------------------------------------|---------------------------------|
| Cash and Cash Equivalents | \$ 259,763 | \$ 56,558 | \$ 134,280 | \$ 4,852 | \$ 455,453 |
| Investments | - | - | - | 2,000 | 2,000 |
| Receivables | | | | | |
| Other | 51,860 | - | - | - | 51,860 |
| Due From State | 57,408 | 16,258 | 6,324 | - | 79,990 |
| Due From Other Funds | 18,171 | - | - | - | 18,171 |
| Restricted Assets | <u>26,476</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>26,476</u> |
| Total Assets | <u>\$ 413,678</u> | <u>\$ 72,816</u> | <u>\$ 140,604</u> | <u>\$ 6,852</u> | <u>633,950</u> |
| LIABILITIES AND FUND BALANCE | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 5,611 | \$ - | \$ - | \$ - | \$ 5,611 |
| Due To Other Funds | 136 | 3,667 | 3,449 | - | 7,252 |
| Deferred Revenue | <u>47,305</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>47,305</u> |
| Total Liabilities | <u>53,052</u> | <u>3,667</u> | <u>3,449</u> | <u>-</u> | <u>60,168</u> |
| Fund Balances | | | | | |
| Reserved | 26,340 | - | - | - | 26,340 |
| Designated | 216,795 | - | - | - | 216,795 |
| Unreserved-Undesignated | <u>117,491</u> | <u>69,149</u> | <u>137,155</u> | <u>6,852</u> | <u>330,647</u> |
| Total Fund Balances | <u>360,626</u> | <u>69,149</u> | <u>137,155</u> | <u>6,852</u> | <u>573,782</u> |
| Total Liabilities and Fund Balances | <u>\$ 413,678</u> | <u>\$ 72,816</u> | <u>\$ 140,604</u> | <u>\$ 6,852</u> | |

Reconciliation of the Governmental Fund's Balance Sheet to the Statement of Net Assets:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

| | | |
|--------------------------------|----------------|---------|
| Governmental capital assets | \$1,139,909 | |
| Less: Accumulated Depreciation | <u>402,454</u> | 737,455 |

Compensated absences are not due and payable in the current period and therefore are not reported in the funds (6,644)

Deferred revenues reported in governmental funds are recognized as revenues in the governmental activities 47,305

Net Assets of Governmental Activities \$ 1,351,898

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
GOVERNMENT FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended February 28, 2006

| | <u>General</u> | <u>Major Streets</u> | <u>Local Streets</u> | <u>Non-Major Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|--------------------------|--------------------------|---|---|
| Revenues | | | | | |
| Taxes and Penalties | \$ 285,652 | \$ - | \$ - | \$ - | \$ 285,652 |
| Licenses and Permits | 3,353 | - | - | - | 3,353 |
| State Grants | 190,525 | 95,397 | 35,047 | - | 320,969 |
| Charges for Services | 8,816 | - | - | 8,839 | 17,655 |
| Fines and Forfeitures | 1,994 | - | - | - | 1,994 |
| Interest and Rentals | 4,613 | 455 | 700 | 76 | 5,844 |
| Other Revenue | <u>52,623</u> | <u>3,693</u> | <u>3,236</u> | <u>100</u> | <u>59,652</u> |
| Total Revenues | <u>547,576</u> | <u>99,545</u> | <u>38,983</u> | <u>9,015</u> | <u>695,119</u> |
| Expenditures | | | | | |
| Legislative | 22,876 | - | - | - | 22,876 |
| General Government | 46,901 | - | - | - | 46,901 |
| Public Safety | 223,567 | - | - | 340 | 223,907 |
| Public Works | 135,483 | - | - | - | 135,483 |
| Health and Welfare | 16,000 | - | - | - | 16,000 |
| Recreation and Cultural | 24,488 | - | - | - | 24,488 |
| Streets and Highways | - | 180,524 | 71,580 | - | 252,104 |
| Cemetery | 5,056 | - | - | 12,542 | 17,598 |
| Other | 54,832 | - | - | - | 54,832 |
| Capital Outlay | <u>61,773</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>61,773</u> |
| Total Expenditures | <u>590,976</u> | <u>180,524</u> | <u>71,580</u> | <u>12,882</u> | <u>855,962</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(43,400)</u> | <u>(80,979)</u> | <u>(32,597)</u> | <u>(3,867)</u> | <u>(160,843)</u> |
| Other Financing Sources (Uses) | | | | | |
| Operating Transfers In | 12,339 | 49,800 | 25,000 | 5,000 | 92,139 |
| Operating Transfers (Out) | <u>(87,339)</u> | <u>-</u> | <u>(4,800)</u> | <u>-</u> | <u>(92,139)</u> |
| Total Other Financing Sources (Uses) | <u>(75,000)</u> | <u>49,800</u> | <u>20,200</u> | <u>5,000</u> | <u>-</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | <u>(118,400)</u> | <u>(31,179)</u> | <u>(12,397)</u> | <u>1,133</u> | <u>(160,843)</u> |
| Fund Balance-March 1, 2005 | <u>479,026</u> | <u>100,328</u> | <u>149,552</u> | <u>5,719</u> | <u>734,625</u> |
| Fund Balance-February 28, 2006 | <u>\$ 360,626</u> | <u>\$ 69,149</u> | <u>\$ 137,155</u> | <u>\$ 6,852</u> | <u>\$ 573,782</u> |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2006

| | | |
|---|------------|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ (160,843) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds | | 623 |
| Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds | | 804 |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives: | | |
| Expenditures for capital assets | \$ 235,044 | |
| Less: Current year depreciation | 49,608 | |
| Less: Proceeds from Trade-In of Capital Asset | - | |
| Less: Loss from Trade-In of Capital Asset | <u>-</u> | <u>185,436</u> |
| Change in Net Assets of Governmental Funds | | <u>\$ 26,020</u> |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
PROPRIETARY FUNDS STATEMENT OF NET ASSETS
February 28, 2006

| ASSETS | Enterprise Funds | | Total |
|---|-------------------------|-------------------------|---------------------|
| | Sewer System | Water System | |
| Cash and Cash Equivalents | \$ 68,698 | \$ 101,029 | \$ 169,727 |
| Receivables (Net) | | | |
| Accounts | 19,932 | 28,282 | 48,214 |
| Connection Fees | 2,121 | 4,357 | 6,478 |
| Other | 5,800 | - | 5,800 |
| Restricted Assets | 94,629 | 178,728 | 273,357 |
| Capital Assets (Net of Accumulated Depreciation) | <u>2,715,357</u> | <u>2,978,750</u> | <u>5,694,107</u> |
| Total Assets | <u>\$ 2,906,537</u> | <u>\$ 3,291,146</u> | <u>\$ 6,197,683</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Accrued Liabilities | \$ 6,955 | \$ 26,078 | \$ 33,033 |
| Due to Other Funds | 6,945 | 3,974 | 10,919 |
| Bonds Payable | <u>430,000</u> | <u>1,740,000</u> | <u>2,170,000</u> |
| Total Liabilities | <u>443,900</u> | <u>1,770,052</u> | <u>2,213,952</u> |
| Net Assets | | | |
| Net Assets | | | |
| Investment in Capital Assets, Net of Related Debt | 2,285,357 | 1,238,750 | 3,524,107 |
| Restricted for Debt Service | 94,629 | 178,728 | 273,357 |
| Unrestricted | <u>82,651</u> | <u>103,616</u> | <u>186,267</u> |
| Total Net Assets | <u>2,462,637</u> | <u>1,521,094</u> | <u>3,983,731</u> |
| Total Liabilities and Net Assets | <u>\$ 2,906,537</u> | <u>\$ 3,291,146</u> | <u>\$ 6,197,683</u> |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended February 28, 2006

| | Enterprise Funds | | |
|--|-------------------------|-------------------------|---------------------|
| | Sewer System | Water System | Total |
| Operating Revenues | | | |
| Charges for Services | \$ 176,052 | \$ 259,458 | \$ 435,510 |
| Other Operating Revenue | <u>8,605</u> | <u>13,191</u> | <u>21,796</u> |
| Total Operating Revenues | <u>184,657</u> | <u>272,649</u> | <u>457,306</u> |
| Operating Expenses | | | |
| Administration | 23,588 | 18,048 | 41,636 |
| Salaries and Fringe Benefits | 45,096 | 76,009 | 121,105 |
| Supplies | 15,647 | 14,853 | 30,500 |
| Contractual Services | 2,500 | 2,500 | 5,000 |
| Maintenance and Repairs | 6,143 | 10,829 | 16,972 |
| Miscellaneous | 191 | 472 | 663 |
| Depreciation | <u>113,130</u> | <u>105,203</u> | <u>218,333</u> |
| Total Operating Expenses | <u>206,295</u> | <u>227,914</u> | <u>434,209</u> |
| Operating Income | <u>(21,638)</u> | <u>44,735</u> | <u>23,097</u> |
| Nonoperating Revenues (Expenses) | | | |
| Interest Earned on Investments | 4,958 | 1,685 | 6,643 |
| Interest Expense | (21,510) | (64,937) | (86,447) |
| Loss on Disposal of Asset | <u>(3,242)</u> | <u>-</u> | <u>(3,242)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(19,794)</u> | <u>(63,252)</u> | <u>(83,046)</u> |
| Change in Net Assets | (41,432) | (18,517) | (59,949) |
| Net Assets-March 1, 2005 | <u>2,504,069</u> | <u>1,539,611</u> | <u>4,043,680</u> |
| Net Assets-February 28, 2006 | <u>\$ 2,462,637</u> | <u>\$ 1,521,094</u> | <u>\$ 3,983,731</u> |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
For the Year Ended February 28, 2006

| | Enterprise Funds | | |
|--|-------------------------|-------------------------|-------------------|
| | Sewer System | Water System | Total |
| Cash Flows From Operating Activities: | | | |
| Cash Charges for Services | \$ 176,622 | \$ 264,579 | \$ 441,201 |
| Other Operating Revenue | 8,605 | 13,191 | 21,796 |
| Administrative Costs | (23,588) | (18,048) | (41,636) |
| Cash Payments to Employees for Services | (45,096) | (76,009) | (121,105) |
| Cash Payments to Suppliers for Goods and Services | (20,814) | (28,990) | (49,804) |
| Miscellaneous Expenses | (191) | (472) | (663) |
| Net Cash Provided by Operating Activities | 95,538 | 154,251 | 249,789 |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Payment of Principal | (45,000) | (62,000) | (107,000) |
| Payment of Interest | (21,510) | (64,937) | (86,447) |
| Net Cash Used by Capital and Related Financing Activities | (66,510) | (126,937) | (193,447) |
| Cash Flows From Investing Activities: | | | |
| Interest Earned on Cash Equivalents and Investments | 55 | 1,685 | 1,740 |
| Redeemed Investments | 111,755 | - | 111,755 |
| Purchase of Investments | (91,755) | (158,128) | (249,883) |
| Purchase of Fixed Assets | (8,930) | - | (8,930) |
| Net Cash Provided (Used) by Investing Activities | 11,125 | (156,443) | (145,318) |
| Net Increase in Cash and Cash Equivalents | 40,153 | (129,129) | (88,976) |
| Cash and Cash Equivalents at Beginning of the Year | 28,545 | 230,158 | 258,703 |
| Cash and Cash Equivalents at End of the Year | \$ 68,698 | \$ 101,029 | \$ 169,727 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | |
| Operating Income (Loss) | \$ (21,638) | \$ 44,735 | \$ 23,097 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Depreciation | 113,130 | 105,203 | 218,333 |
| Decrease (Increase) in Accounts Receivable | 570 | 5,121 | 5,691 |
| Increase (Decrease) in Accrued Liabilities | (690) | (700) | (1,390) |
| Increase (Decrease) in Due to Other Funds | 4,166 | (108) | 4,058 |
| Net Cash Provided by Operating Activities | \$ 95,538 | \$ 154,251 | \$ 249,789 |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
FIDUCIARY FUNDS STATEMENT OF NET ASSETS
February 28, 2006

| <u>ASSETS</u> | <u>Trust and Agency</u> |
|--|------------------------------------|
| Investments-at Fair Value | |
| Other Investments | \$ <u>28,850</u> |
| Total Assets | \$ <u>28,850</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities | |
| Due to Employees for Deferred Compensation | \$ <u>28,850</u> |

The Notes to Financial Statements are an integral part of this statement.

**VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Nashville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Nashville:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Township's activities

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

REPORTING ENTITY

The Village of Nashville was organized in 1869 and covers an area of 2.1 square miles. The Village operates under an elected council of seven members and provides services to its almost 1,700 residents in many areas including police and fire protection and highway and street maintenance. Education services are provided to citizens through several local school districts that are separate governmental entities. Fire and ambulance service is provided by Castleton Township, Maple Grove Township and the Village of Nashville Fire Board and Ambulance Board. The local units are assessed for their respective share of the Boards' expenditures. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Village, there are no component units to be included in these financial statements.

JOINT VENTURES

Ambulance Department

The Village of Nashville has entered into a joint venture agreement with Castleton Township and Maple Grove Township for the ownership, operation and maintenance of an ambulance department, equipment and housing. Each municipality appoints two members from their legislative bodies to act as the ambulance board. Said board has the general supervision of equipment, finances and policies of the department. Equipment and housing is the property of the two townships. Funds for equipment and housing, when not available from other means, are provided by the two townships as follows: Castleton - two-thirds; Maple Grove - one-third. Operating expenses, when not available from other means are shared equally by the three municipalities. A true and accurate account of the expenditures is kept by the ambulance board and reported to the various municipalities from time to time, at least annually.

The following financial information of the joint venture is as of and for the year ending March 31, 2005:

| | | | |
|--------------------------------------|------------|--|------------|
| Total Assets | \$ 126,262 | Total Revenues | \$ 177,875 |
| Total Liabilities | \$ 306 | Total Expenditures | \$ 185,005 |
| Total Net Assets | \$ 125,956 | Increase (Decrease) in Net Assets | \$ (7,130) |
| Total Joint Venture Outstanding Debt | \$ - | Village of Nashville's Share of Assets | \$ 5,547 |

**VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

JOINT VENTURES (Continued)

Fire Department

The Village of Nashville has entered into a joint venture agreement with Castleton Township and Maple Grove Township for the operation and maintenance of certain fire fighting equipment and apparatus. Each municipality appoints two members from their legislative bodies to act as the fire board. The fire board has the authority to exercise policy making powers over the fire fighting equipment and also exercise control and supervision over the financial affairs of the fire department. The equipment is manned and operated by the personnel of the Nashville Fire Department, under the general supervision of the fire board. The total cost of operation of the fire department is shared equally by the three municipalities. A true and accurate account of the expenditures is kept by the fire board and reported to the various municipalities from time to time, at least annually.

The following financial information of the joint venture is as of and for the year ending March 31, 2005:

| | | | |
|--------------------------------------|------------|--|-------------|
| Total Assets | \$ 204,169 | Total Revenues | \$ 63,149 |
| Total Liabilities | \$ 158 | Total Expenditures | \$ 85,352 |
| Total Net Assets | \$ 204,011 | Increase (Decrease) in Net Assets | \$ (22,203) |
| Total Joint Venture Outstanding Debt | \$ - | Village of Nashville's Share of Assets | \$ 7,972 |

Transfer and Recycling

The Village of Nashville has entered into a joint venture with Castleton Township and Maple Grove Township for the operation and maintenance of a transfer and recycling facility. Each municipality appoints two representatives from their legislative bodies to act as the combined facility board. The combined board has the authority to set policies for its own operation, and also has the authority to regulate, control, set fees and otherwise govern the facility. Cost of construction and/or improvements to property are shared two-thirds by Castleton Township and one-third by Maple Grove Township. Operation costs are shared equally by each unit of government if not covered by fees charged. Any surplus of fees charged remains with the combined facility board to be used for operation, improvements or expansion. This joint venture is perpetual until terminated by joint action of all units or by an individual unit not less than one year after its notice thereof. Any unit terminating their part of the arrangement forfeits their share of investments.

The following financial information of the joint venture is as of and for the year ending March 31, 2004:

| | | | |
|--------------------------------------|----------|--|-----------|
| Total Assets | \$ 8,085 | Total Revenues | \$ 45,600 |
| Total Liabilities | \$ 85 | Total Expenditures | \$ 38,648 |
| Total Net Assets | \$ 8,000 | Increase (Decrease) in Net Assets | \$ 6,952 |
| Total Joint Venture Outstanding Debt | \$ - | Village of Nashville's Share of Assets | \$ 2,695 |

Library

The Village of Nashville has entered into a joint venture agreement with Castleton Township and Maple Grove Township for the operation and maintenance of the Putnam District Library. The Village agrees to budget \$2,000 annually to the library with an accumulation of not greater than \$10,000 for major repairs to the library property. The Village agrees to carry adequate liability and structure insurance. A true and accurate account of the expenditures is kept by the library board and reported to the various municipalities from time to time, at least annually.

The following financial information of the joint venture is as of and for the year ending March 31, 2005:

| | | | |
|--------------------------------------|------------|--|-----------|
| Total Assets | \$ 358,706 | Total Revenues | \$ 70,040 |
| Total Liabilities | \$ 832 | Total Expenditures | \$ 64,528 |
| Total Net Assets | \$ 357,874 | Increase (Decrease) in Net Assets | \$ 5,512 |
| Total Joint Venture Outstanding Debt | \$ - | Village of Nashville's Share of Assets | \$ - |

**VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

JOINT VENTURES (Continued)

Complete financial statements of the individual joint ventures can be obtained from their respective offices or from the Clerk's office as follows:

| | | | |
|---------------------|---------------------|------------------------|-----------------------|
| Ambulance Board | Fire Board | Transfer and Recycling | Putnam Public Library |
| Castleton Township | Castleton Township | Castleton Township | 327 N Main |
| 915 Reed | 915 Reed | 915 Reed | Nashville, MI 49073 |
| Nashville, MI 49073 | Nashville, MI 49073 | Nashville, MI 49073 | |

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when cash is received by the Village.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Taxes Receivable - The Village property tax is levied on each July 1st based on the taxable valuation of property located in the Village as of the preceding December 31st.

It is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 State taxable valuation of the Village totaled \$20,913,155 on which ad valorem taxes levied consisted of 8.8663 mills for Village operating purposes and 3.8550 mills for Village street operations, and .7710 mills for sidewalks, raising \$185,419 for operating, \$80,617 for street operations and \$16,121 for sidewalks. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2005 taxes collected and 2004 delinquent taxes collected in the current fiscal year.

The Village reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.
- The Major Street Fund accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.

The Village reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.
- The Sewer Fund accounts for the operation and maintenance of the sewage disposal system, capital additions, and improvements and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.

Additionally, the government reports the following fund types:

- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The Village has elected not to follow private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st based on the taxable valuation of property located in the Village as of the preceding December 31st. These taxes are due on August 31 with the final collection date of September 15. After that date, they are added to the county's delinquent tax rolls.

The delinquent real property taxes of the Village are purchased by Barry County. These taxes have been recorded as deferred revenue in the fund financial statements for the current year since they are not available to fund expenditures of the current period.

Designated Assets - The Village has designated assets for police equipment, contingency and equipment. By designating a portion of fund balance for a specific purpose, the Village Council has established a policy that the amounts designated are to be used for a specific purpose. The Village Council can change the amounts so designated if they desire.

Restricted Assets - The Village has restricted assets for locally administered streets. By restricting a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for any other than locally administered streets and demolition. The revenue bonds of the enterprise funds require amounts to be set aside for debt service principal and interest, capital improvements and a bond reserve. These amounts have been classified as restricted assets.

Retained Earnings Reserve - In the Sewer and Water System funds, certain amounts of the retained earnings are reserved for bond and interest redemption and capital improvements. The amounts of the reserves are established by bond ordinances. Any use of the reserve balances would be a violation of the bond ordinances.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

General Assets

| | |
|---------------------------|----------|
| Buildings | 40 years |
| Furniture | 10 years |
| Equipment | 7 years |
| Data Processing Equipment | 5 years |

Infrastructure Assets

| | |
|------------------------|----------------|
| Road | 8 to 30 years |
| Sidewalks | 10 to 30 years |
| Bridges | 12 to 50 years |
| Drains, Curbs, Gutters | 8 to 40 years |

Compensated Absences (Vacation and Sick Leave) - Vacation pay is earned by all full time employees according to the length of their employment and is available for use in the year following its accrual. Vacation time is paid at the employee's current pay rate and must be used in the year available. Upon termination of employment, employees will be paid for all unused vacation time.

Sick leave time is earned at the rate of ten days per year by full time employees. Unused sick leave benefits can accumulate to a maximum of 90 days. In addition, employees can earn three days bonus time off by limiting sick leave taken according to a sliding scale. Sick leave accrued is to be paid to the employees at the rate of \$10 per every eight hours of unused accumulated sick leave at the time of termination of employment for any reason.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Comparative Data/Reclassifications - Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operation of these funds.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Village Boards prepares the annual budgets prior to February 28. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Nashville.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended February 28, 2006, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

| FUND | BUDGET APPROPRIATION | ACTUAL EXPENDITURE | BUDGET VARIANCE |
|------------------------------|---------------------------------|-------------------------------|----------------------------|
| General | | | |
| Legislative | \$ 21,673 | \$ 22,876 | \$ 1,203 |
| General Government: | | | |
| Cemetery | \$ 3,941 | \$ 5,056 | \$ 1,115 |
| Recreational and Cultural | | | |
| Parks | \$ 25,351 | \$ 25,357 | \$ 6 |
| Other | | | |
| Insurance, Bonds and Fringes | \$ 46,115 | \$ 49,668 | \$ 3,553 |
| Cemetery | \$ 12,145 | \$ 12,542 | \$ 397 |

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

DEPOSITS AND INVESTMENTS (Continued)

The Village has designated two banks and one federal savings banks for the deposit of the Village of Nashville funds.

The Village retirement system's investments are held in trust by the investment fiduciary, Manufacturers Life Financial. Michigan Compiled Laws, Section 38.1132, authorizes the Village retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Village's deposits and investments are in accordance with statutory authority.

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>FIDUCIARY FUNDS</u> | <u>TOTAL PRIMARY GOVERNMENT</u> |
|---------------------------|---|--|-----------------------------------|--|
| Cash and Cash Equivalents | \$ 455,453 | \$ 169,727 | \$ - | \$ 625,180 |
| Investments | 2,000 | - | 28,850 | 30,850 |
| Restricted Assets | <u>26,476</u> | <u>273,357</u> | <u>-</u> | <u>299,833</u> |
| Total | <u>\$ 483,929</u> | <u>\$ 443,084</u> | <u>\$ 28,850</u> | <u>\$ 955,863</u> |

The breakdown between deposits and investments is as follows:

| | <u>PRIMARY GOVERNMENT</u> |
|--|--------------------------------------|
| Bank Deposits | \$ 927,013 |
| (Checking and Savings Accounts, Certificates of Deposit) | |
| Investment in Securities | 28,850 |
| (Mutual Funds and Similar Vehicles) | |
| Petty Cash and Cash on Hand | <u>-</u> |
| Total | <u>\$ 955,863</u> |

At February 28, 2006, the Village had deposits with a carrying amount of \$927,013 and a bank balance of \$980,669. Of the bank balance, \$270,678 is covered by federal depository insurance, \$709,991 is uninsured and \$0 is collateralized.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

| | <u>BEGINNING BALANCE</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>ENDING BALANCE</u> |
|--|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Governmental Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 32,870 | \$ - | \$ - | \$ 32,870 |
| Land Improvements | 8,878 | 2,500 | - | 11,378 |
| Subtotal | 41,748 | 2,500 | - | 44,248 |
| Capital Assets Being Depreciated | | | | |
| Buildings | 279,772 | 19,176 | - | 298,948 |
| Land Improvements | 46,380 | - | - | 46,380 |
| Furniture | 26,496 | - | - | 26,496 |
| Equipment | 432,457 | 42,597 | - | 475,054 |
| Data Processing Equipment | 7,042 | - | - | 7,042 |
| Infrastructure | 70,970 | 170,771 | - | 241,741 |
| Subtotal | 863,117 | 232,544 | - | 1,095,661 |
| Less Accumulated Depreciation for | | | | |
| Buildings | 46,479 | 6,109 | - | 52,588 |
| Land Improvements | 9,821 | 1,971 | - | 11,792 |
| Furniture | 7,102 | 2,257 | - | 9,359 |
| Equipment | 284,747 | 28,088 | - | 312,835 |
| Data Processing Equipment | 3,547 | 1,199 | - | 4,746 |
| Infrastructure | 1,150 | 9,984 | - | 11,134 |
| Subtotal | 352,846 | 49,608 | - | 402,454 |
| Net Capital Assets Being Depreciated | 510,271 | 182,936 | - | 693,207 |
| Governmental Activities Total Capital Assets-Net of Depreciation | \$ 552,019 | \$ 185,436 | \$ - | \$ 737,455 |

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

CAPITAL ASSETS (Continued)

| | <u>BEGINNING BALANCE</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>ENDING BALANCE</u> |
|---|-------------------------------------|-------------------------|-------------------------|----------------------------------|
| Business-Type Activities | | | | |
| Capital Assets not Being Depreciated | | | | |
| Land | \$ 216,442 | \$ - | \$ - | \$ 216,442 |
| Subtotal | <u>216,442</u> | <u>-</u> | <u>-</u> | <u>216,442</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 851,501 | - | - | 851,501 |
| Equipment | 265,691 | 8,930 | 5,895 | 268,726 |
| Data Processing Equipment | 4,409 | - | - | 4,409 |
| Infrastructure | <u>7,768,404</u> | <u>-</u> | <u>-</u> | <u>7,768,404</u> |
| Subtotal | <u>8,890,005</u> | <u>8,930</u> | <u>5,895</u> | <u>8,893,040</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings | 96,805 | 20,925 | - | 117,730 |
| Equipment | 105,049 | 18,936 | 2,653 | 121,332 |
| Data Processing Equipment | 840 | 882 | - | 1,722 |
| Infrastructure | <u>2,997,001</u> | <u>177,590</u> | <u>-</u> | <u>3,174,591</u> |
| Subtotal | <u>3,199,695</u> | <u>218,333</u> | <u>2,653</u> | <u>3,415,375</u> |
| Net Capital Assets Being Depreciated | <u>5,690,310</u> | <u>(209,403)</u> | <u>-</u> | <u>5,477,665</u> |
| Business-Type Activities Total | | | | |
| Capital Assets-Net of Depreciation | <u>\$ 5,906,752</u> | <u>\$ (209,403)</u> | <u>\$ -</u> | <u>\$ 5,694,107</u> |

**VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006**

CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Village as follows:

| | |
|--------------------------------|-------------------|
| Governmental Activities | |
| General Government | \$ 5,918 |
| Public Safety | 8,080 |
| Public Works | 23,133 |
| Recreation and Cultural | 2,904 |
| Streets and Highway | <u>9,573</u> |
| Total Government Activities | <u>\$ 49,608</u> |
| Business-Type Activities | |
| Water | \$ 105,203 |
| Sewer | <u>113,130</u> |
| Total Business-Type Activities | <u>\$ 218,333</u> |

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

| <u>FUND</u> | <u>INTERFUND RECEIVABLES</u> | <u>FUND</u> | <u>INTERFUND PAYABLES</u> |
|---------------|----------------------------------|-----------------------|-------------------------------|
| General | <u>\$ 18,171</u> | Major Street | \$ 3,667 |
| | | Local Streets | 3,449 |
| | | Locally Admin Streets | 136 |
| | | Sewer System | 6,945 |
| | | Water System | <u>3,974</u> |
| | <u>\$ 18,171</u> | | <u>\$ 18,171</u> |
| <u>FUND</u> | <u>TRANSFERS IN</u> | <u>FUND</u> | <u>TRANSFERS OUT</u> |
| General | \$ 12,339 | General | \$ 5,000 |
| Major Streets | 49,800 | Police | 4,800 |
| Local Streets | 25,000 | Contingency | 7,539 |
| Cemetery | <u>5,000</u> | Locally Admin Streets | 70,000 |
| | | Local Streets | <u>4,800</u> |
| | <u>\$ 92,139</u> | | <u>\$ 92,139</u> |

Transfers were used to move revenues from the fund that is required to collect them to the fund where expenditures were expended and to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The following is a summary of the debt outstanding of the Village of Nashville as of February 28, 2006:

| | <u>INTEREST RATE</u> | <u>PRINCIPAL MATURES</u> | <u>BEGINNING BALANCE</u> | <u>ADDITION (REDUCTIONS)</u> | <u>ENDING BALANCE</u> | <u>DUE WITHIN ONE YEAR</u> |
|---------------------------------|--------------------------|------------------------------|------------------------------|----------------------------------|---------------------------|--------------------------------|
| Primary Government | | | | | | |
| Governmental Activities | | | | | | |
| Other Liabilities | | | | | | |
| Compensated Absences | - | - | \$ 7,448 | \$ (804) | \$ 6,644 | \$ 4,988 |
| Business-Type Activities | | | | | | |
| Revenue Bonds | | | | | | |
| Water System - 1998 | 4.35 - 6.85% | 2014 | 135,000 | (14,000) | 121,000 | 15,000 |
| Water System - 2001 | 2.50% | 2022 | 885,000 | (40,000) | 845,000 | 40,000 |
| Water System - 2001 | 4.75% | 2041 | 782,000 | (8,000) | 774,000 | 8,000 |
| Sewer System - 1998 | 4.60 - 7.00% | 2020 | <u>475,000</u> | <u>(45,000)</u> | <u>430,000</u> | <u>45,000</u> |
| Total Business-Type Activities | | | <u>\$ 2,284,448</u> | <u>\$ (107,804)</u> | <u>\$ 2,176,644</u> | <u>\$ 112,988</u> |

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on long-term bonds outstanding for the primary government are as follows:

| <u>Year End February 28</u> | <u>Business-Type Activities</u> | |
|-----------------------------|---------------------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2007 | \$ 108,000 | \$ 85,091 |
| 2008 | 115,000 | 80,016 |
| 2009 | 120,000 | 75,441 |
| 2010 | 122,000 | 70,796 |
| 2010 | 128,000 | 65,790 |
| 2012-2016 | 518,000 | 261,608 |
| 2017-2021 | 345,000 | 184,173 |
| 2022-2026 | 215,000 | 135,525 |
| 2027-2031 | 119,000 | 107,780 |
| 2032-2036 | 149,000 | 76,808 |
| 2037-2041 | 188,000 | 37,810 |
| 2042 | <u>43,000</u> | <u>2,043</u> |
| Total | <u>\$ 2,170,000</u> | <u>\$ 1,182,881</u> |

**VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006**

RISK MANAGEMENT

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits through a combination of risk management pools and commercial insurance.

The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member.

The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At February 28, 2006, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

DEFERRED COMPENSATION PLAN

On February 28, 1998, the Village adopted a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan permits all full-time employees to participate in the plan. The Village contributes 5% to 6%, depending on job description, of gross earnings for all eligible employees and the employee can contribute 5% to 6% of gross earnings, until the employee's termination, retirement, death or unforeseeable emergency.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997. The Village is serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. The Village's beneficial ownership of plan assets will be held for the further exclusive benefit of the plan for the exclusive benefit of participants and beneficiaries.

It is the opinion of the Village's legal counsel that the Village, as trustee, has no liability for plan losses but does have the duty of due care that would be required of an ordinary prudent investor.

The plan is administered by the Village's agent, Actuarial Benefit Administrators and funded through Scudder Investments.

VILLAGE OF NASHVILLE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2006

DEFERRED COMPENSATION PLAN (Continued)

The plan's assets are included in the Village's Statement of Fiduciary Nets Assets in compliance with GASB Statement No. 32, "Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of the Internal Revenue Code Section List". A summary of the activity in the plan for the year ended February 28, 2006, is as follows:

| | |
|-----------------------------|------------------|
| Balance - March 1, 2005 | \$ 19,417 |
| Contributions | 8,834 |
| Dividends | 715 |
| Net Investment Gain (Loss) | <u>(116)</u> |
| Balance - February 28, 2006 | <u>\$ 28,850</u> |

VILLAGE OF NASHVILLE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended February 28, 2006

| | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--------------------------------------|----------------------------|---------------------------|----------------|---|
| Beginning of Year Fund Balance | \$ 479,026 | \$ 479,026 | \$ 479,026 | \$ - |
| Resources (Inflows) | | | | |
| Taxes and Penalties | 286,700 | 283,170 | 285,652 | 2,482 |
| Licenses and Permits | 4,450 | 3,352 | 3,353 | 1 |
| State Grants | 193,650 | 191,846 | 190,525 | (1,321) |
| Charges for Services | 22,600 | 7,566 | 8,816 | 1,250 |
| Fines and Forfeitures | 1,000 | 1,843 | 1,994 | 151 |
| Interest and Rentals | 2,650 | 4,635 | 4,613 | (22) |
| Other Revenue | <u>30,500</u> | <u>52,036</u> | <u>52,623</u> | <u>587</u> |
| Total Resources | <u>541,550</u> | <u>544,448</u> | <u>547,576</u> | <u>3,128</u> |
| Charges to Appropriations (Outflows) | | | | |
| Legislative | 24,600 | 21,673 | 22,876 | (1,203) |
| General Government | | | | |
| President | 2,200 | 1,875 | 1,875 | - |
| Clerk | 32,200 | 32,460 | 29,785 | 2,675 |
| Treasurer | 7,740 | 7,740 | 7,740 | - |
| Buildings and Grounds | 28,900 | 8,775 | 7,501 | 1,274 |
| Cemetery | 5,000 | 3,941 | 5,056 | (1,115) |
| Public Safety | | | | |
| Police | 148,250 | 173,700 | 170,171 | 3,529 |
| Fire | 31,875 | 32,875 | 32,875 | - |
| Planning and Zoning | 22,150 | 22,460 | 20,521 | 1,939 |
| Public Works | | | | |
| Sanitation | 5,000 | 4,500 | 4,434 | 66 |
| Garage and Maintenance | 39,500 | 89,232 | 80,964 | 8,268 |
| Sidewalk Replacement | 40,700 | 18,910 | 18,885 | 25 |
| Locally Administered Streets | 26,000 | 32,631 | 31,200 | 1,431 |
| Health and Welfare | | | | |
| Ambulance | 13,000 | 16,000 | 16,000 | - |
| Recreational and Cultural | | | | |
| Parks | 13,000 | 23,751 | 23,760 | (9) |
| Library | 2,400 | 790 | 728 | 62 |
| Other | | | | |
| Insurance, Bonds and Fringes | 35,300 | 46,115 | 49,668 | (3,553) |
| Miscellaneous | 1,750 | 5,333 | 5,164 | 169 |
| Capital Outlay | <u>3,000</u> | <u>57,895</u> | <u>61,773</u> | <u>(3,878)</u> |
| Total Charges to Appropriations | <u>482,565</u> | <u>600,656</u> | <u>590,976</u> | <u>9,680</u> |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended February 28, 2006

| | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|-------------------|---|
| Excess of Resources Over (Under) Appropriations | <u>58,985</u> | <u>(56,208)</u> | <u>(43,400)</u> | <u>12,808</u> |
| Other Financing Sources (Uses) | | | | |
| Operating Transfers In | 12,300 | 12,339 | 12,339 | - |
| Operating Transfers (Out) | <u>(62,300)</u> | <u>(87,340)</u> | <u>(87,339)</u> | <u>1</u> |
| Total Other Financing Sources (Uses) | <u>(50,000)</u> | <u>(75,001)</u> | <u>(75,000)</u> | <u>1</u> |
| Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses | <u>8,985</u> | <u>(131,209)</u> | <u>(118,400)</u> | <u>12,809</u> |
| Budgetary Fund Balance - February 28, 2006 | <u>\$ 488,011</u> | <u>\$ 347,817</u> | <u>\$ 360,626</u> | <u>\$ 12,809</u> |

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NASHVILLE
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
For the Year Ended February 28, 2006

| | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|--|----------------------------|---------------------------|------------------|---|
| Beginning of Year Fund Balance | \$ 100,328 | \$ 100,328 | \$ 100,328 | \$ - |
| Resources (Inflows) | | | | |
| State Grants | 94,000 | 95,198 | 95,397 | 199 |
| Interest and Rentals | 700 | 450 | 455 | 5 |
| Other Revenue | <u>2,900</u> | <u>3,636</u> | <u>3,693</u> | <u>57</u> |
| Total Resources | <u>97,600</u> | <u>99,284</u> | <u>99,545</u> | <u>261</u> |
| Charges to Appropriations (Outflows) | | | | |
| Public Works | | | | |
| Street Administration | 7,000 | 7,310 | 7,243 | 67 |
| Street Routine Maintenance | 27,800 | 19,555 | 18,943 | 612 |
| Street Winter Maintenance | 6,000 | 8,064 | 4,980 | 3,084 |
| Traffic Services | 700 | 275 | 250 | 25 |
| Trees | 5,600 | 6,570 | 6,622 | (52) |
| Trunkline Maintenance | 5,000 | 2,900 | 2,982 | (82) |
| Street Construction | 50,500 | 129,070 | 129,062 | 8 |
| Fringes and Insurance | <u>9,000</u> | <u>10,800</u> | <u>10,442</u> | <u>358</u> |
| Total Charges to Appropriations | <u>111,600</u> | <u>184,544</u> | <u>180,524</u> | <u>4,020</u> |
| Excess of Resources Over (Under) Appropriations | <u>(14,000)</u> | <u>(85,260)</u> | <u>(80,979)</u> | <u>4,281</u> |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 25,000 | 49,800 | 49,800 | - |
| Operating Transfers Out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>25,000</u> | <u>49,800</u> | <u>49,800</u> | <u>-</u> |
| Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses | <u>11,000</u> | <u>(35,460)</u> | <u>(31,179)</u> | <u>4,281</u> |
| Budgetary Fund Balance - February 28, 2006 | <u>\$ 111,328</u> | <u>\$ 64,868</u> | <u>\$ 69,149</u> | <u>\$ 4,281</u> |

VILLAGE OF NASHVILLE
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
For the Year Ended February 28, 2006

| | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|-------------------|---|
| Beginning of Year Fund Balance | \$ 149,552 | \$ 149,552 | \$ 149,552 | \$ - |
| Resources (Inflows) | | | | |
| State Grants | 38,000 | 34,970 | 35,047 | 77 |
| Interest and Rentals | 400 | 700 | 700 | - |
| Other Revenue | <u>2,800</u> | <u>3,236</u> | <u>3,236</u> | <u>-</u> |
| Total Resources | <u>41,200</u> | <u>38,906</u> | <u>38,983</u> | <u>77</u> |
| Charges to Appropriations (Outflows) | | | | |
| Public Works | | | | |
| Street Administration | 7,000 | 7,300 | 7,223 | 77 |
| Street Routine Maintenance | 26,700 | 18,095 | 17,119 | 976 |
| Street Winter Maintenance | 6,000 | 6,820 | 4,430 | 2,390 |
| Traffic Services | 700 | 450 | 444 | 6 |
| Trees | 5,500 | 6,920 | 6,969 | (49) |
| Street Construction | 10,400 | 26,816 | 26,805 | 11 |
| Fringes and Insurance | 9,500 | 9,500 | 8,539 | 961 |
| Miscellaneous | <u>-</u> | <u>100</u> | <u>51</u> | <u>49</u> |
| Total Charges to Appropriations | <u>65,800</u> | <u>76,001</u> | <u>71,580</u> | <u>4,421</u> |
| Excess of Resources Over (Under) Appropriations | <u>(24,600)</u> | <u>(37,095)</u> | <u>(32,597)</u> | <u>4,498</u> |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 25,000 | 25,000 | 25,000 | |
| Operating Transfers Out | <u>(400)</u> | <u>(4,800)</u> | <u>(4,800)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>24,600</u> | <u>20,200</u> | <u>20,200</u> | <u>-</u> |
| Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses | <u>-</u> | <u>(16,895)</u> | <u>(12,397)</u> | <u>4,498</u> |
| Budgetary Fund Balance - February 28, 2006 | <u>\$ 149,552</u> | <u>\$ 132,657</u> | <u>\$ 137,155</u> | <u>\$ 4,498</u> |

VILLAGE OF NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended February 28, 2006

| <u>REVENUES</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--------------------------------|----------------------------|---------------------------|----------------|---|
| Taxes and Penalties | | | | |
| Property Taxes | | | \$ 282,619 | |
| Collection Fees | | | 3,033 | |
| Total Taxes and Penalties | \$ 286,700 | \$ 283,170 | <u>285,652</u> | \$ 2,482 |
| Licenses and Permits | | | | |
| Cable TV Fees | | | 1,878 | |
| Liquor License Refund | | | 1,475 | |
| Total Licenses and Permits | 4,450 | 3,352 | <u>3,353</u> | 1 |
| State Grants | | | | |
| Public Safety | | | 674 | |
| State Revenue Sharing: | | | | |
| Sales Tax | | | 189,851 | |
| Total State Grants | 193,650 | 191,846 | <u>190,525</u> | (1,321) |
| Charges for Services | | | | |
| Special Assessment - Sidewalks | | | 8,016 | |
| Police Salvage Inspection | | | 200 | |
| Zoning Board Fees | | | 600 | |
| Total Charges for Services | 22,600 | 7,566 | <u>8,816</u> | 1,250 |
| Fines and Forfeitures | 1,000 | 1,843 | <u>1,994</u> | 151 |
| Interest and Rentals | | | | |
| Interest | | | 3,428 | |
| Rentals | | | 1,185 | |
| Total Interest and Rentals | 2,650 | 4,635 | <u>4,613</u> | (22) |
| Other Revenue | | | | |
| Miscellaneous | | | 6,496 | |
| Donations | | | 3,337 | |
| Refunds and Rebates | | | 13,596 | |
| Equipment Rental | | | 29,194 | |
| Total Other Revenue | <u>30,500</u> | <u>52,036</u> | <u>52,623</u> | <u>587</u> |
| Total Revenues | <u>541,550</u> | <u>544,448</u> | <u>547,576</u> | <u>3,128</u> |

VILLAGE OF NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended February 28, 2006

| <u>EXPENDITURES</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|-----------------------------|----------------------------|---------------------------|---------------|---|
| Legislative: | | | | |
| Salaries - Village Council | | | 6,395 | |
| Dues | | | 722 | |
| Education | | | 118 | |
| Legal Fees | | | 12,206 | |
| Audit Fees | | | <u>3,435</u> | |
| Total Legislative | <u>24,600</u> | <u>21,673</u> | <u>22,876</u> | <u>(1,203)</u> |
| General Government: | | | | |
| Village President: | | | | |
| Salary | | | <u>1,875</u> | |
| Total Village President | 2,200 | 1,875 | <u>1,875</u> | - |
| Village Clerk: | | | | |
| Salary | | | 17,093 | |
| Supplies | | | 4,331 | |
| Transportation | | | 46 | |
| Printing and Postage | | | 2,001 | |
| Utilities | | | 4,267 | |
| Telephone | | | <u>2,047</u> | |
| Total Village Clerk | 33,200 | 32,460 | <u>29,785</u> | 2,675 |
| Treasurer: | | | | |
| Salary | | | <u>7,740</u> | |
| Total Treasurer | 7,740 | 7,740 | <u>7,740</u> | - |
| Buildings and Grounds: | | | | |
| Maintenance Wages | | | 2,537 | |
| Maintenance and Repairs | | | 4,394 | |
| Miscellaneous | | | 570 | |
| Capital Outlay | | | <u>15,295</u> | |
| Total Buildings and Grounds | 28,900 | 24,070 | <u>22,796</u> | 1,274 |
| Cemetery: | | | | |
| Supplies | | | 371 | |
| Maintenance and Repairs | | | <u>4,685</u> | |
| Total Cemetery | <u>5,000</u> | <u>3,941</u> | <u>5,056</u> | <u>(1,115)</u> |
| Total General Government | <u>77,040</u> | <u>70,086</u> | <u>67,252</u> | <u>2,834</u> |

VILLAGE OF NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended February 28, 2006

| <u>EXPENDITURES (Continued)</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|---------------------------------|----------------------------|---------------------------|---------------|---|
| Public Safety: | | | | |
| Police: | | | | |
| Salaries and Wages | | | 118,949 | |
| Fringes | | | 23,357 | |
| Supplies | | | 4,658 | |
| Telephone | | | 2,600 | |
| Education | | | 823 | |
| Utilities | | | 1,959 | |
| Auto | | | 15,462 | |
| Uniforms | | | 1,592 | |
| Miscellaneous | | | 771 | |
| Total Police | 149,250 | 173,700 | 170,171 | 3,529 |
| Fire: | | | | |
| Fire Board | | | 21,000 | |
| Hydrant Rental | | | 11,875 | |
| Total Fire | 31,875 | 32,875 | 32,875 | - |
| Planning and Zoning: | | | | |
| Planning Board Wages | | | 675 | |
| Zoning and Board Wages | | | 3,050 | |
| Supplies | | | 210 | |
| Printing and Publishing | | | 138 | |
| Miscellaneous | | | 16,448 | |
| Total Planning and Zoning | 22,150 | 22,460 | 20,521 | 1,939 |
| Total Public Safety | 203,275 | 229,035 | 223,567 | 5,468 |
| Public Works: | | | | |
| Sanitation: | | | | |
| Transfer Station | | | 4,434 | |
| Total Sanitation | 5,000 | 4,500 | 4,434 | 66 |
| Garage and Maintenance: | | | | |
| Wages | | | 20,954 | |
| Parts | | | 37,999 | |
| Gas and Oil | | | 10,223 | |
| Maintenance and Utilities | | | 11,656 | |
| Miscellaneous | | | 132 | |
| Capital Outlay | | | 44,881 | |
| Total Garage and Maintenance | 39,500 | 130,232 | 125,845 | 4,387 |

VILLAGE OF NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended February 28, 2006

| EXPENDITURES (Continued) | ORIGINAL BUDGET | AMENDED BUDGET | ACTUAL | VARIANCE WITH AMENDED BUDGET |
|------------------------------------|----------------------------|---------------------------|---------------|---|
| Public Works (Continued): | | | | |
| Sidewalk Replacement: | | | | |
| Wages | | | 375 | |
| Contract Labor | | | 18,510 | |
| Total Sidewalk Replacement | 40,700 | 18,910 | 18,885 | 25 |
| Locally Administered Streets: | | | | |
| Wages | | | 2,846 | |
| Fringes | | | 2,383 | |
| Christmas Lights | | | 681 | |
| Street Lights | | | 18,808 | |
| Snow Removal | | | 1,574 | |
| Miscellaneous | | | 4,908 | |
| Total Locally Administered Streets | 26,000 | 32,631 | 31,200 | 1,431 |
| Total Public Works | 111,200 | 186,273 | 180,364 | 5,909 |
| Health and Welfare: | | | | |
| Ambulance: | | | | |
| Ambulance Board | | | 16,000 | |
| Total Ambulance | 13,000 | 16,000 | 16,000 | - |
| Total Health and Welfare | 13,000 | 16,000 | 16,000 | - |
| Recreation and Cultural: | | | | |
| Parks: | | | | |
| Wages | | | 8,682 | |
| Supplies | | | 5,787 | |
| Utilities | | | 4,240 | |
| Miscellaneous | | | 5,051 | |
| Capital Outlay | | | 1,597 | |
| Total Parks | 14,000 | 25,351 | 25,357 | (6) |
| Library: | | | | |
| Wages | | | 374 | |
| Maintenance and Repairs | | | 354 | |
| Total Library | 2,400 | 790 | 728 | 62 |
| Total Recreation and Cultural | 16,400 | 26,141 | 26,085 | 56 |

VILLAGE OF NASHVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended February 28, 2006

| <u>EXPENDITURES (Continued)</u> | <u>ORIGINAL BUDGET</u> | <u>AMENDED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE WITH AMENDED BUDGET</u> |
|--|----------------------------|---------------------------|---------------|---|
| Other: | | | | |
| Insurance, Bonds and Fringes: | | | | |
| Multi-Peril Insurance | | | 10,668 | |
| Christmas Bonus | | | 625 | |
| Social Security | | | 15,262 | |
| Unemployment | | | 2,044 | |
| Employee Insurance | | | 47,087 | |
| Pension | | | 4,656 | |
| Vacation, Holiday and Sick | | | 7,363 | |
| Workers Compensation Insurance | | | 7,481 | |
| | 85,300 | 96,115 | 95,186 | 929 |
| Less: Reimb. from Other Funds | (50,000) | (50,000) | (45,518) | (4,482) |
| Total Insurance, Bonds and Fringes | 35,300 | 46,115 | 49,668 | (3,553) |
| Miscellaneous: | | | | |
| Miscellaneous | | | 5,164 | |
| Total Miscellaneous | 1,750 | 5,333 | 5,164 | 169 |
| Total Other | 37,050 | 51,448 | 54,832 | (3,384) |
| Total Expenditures | 482,565 | 600,656 | 590,976 | 9,680 |
| Excess of Revenues Over Expenditures | 58,985 | (56,208) | (43,400) | 12,808 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 12,300 | 12,339 | 12,339 | |
| Operating Transfers Out | (62,300) | (87,340) | (87,339) | 1 |
| Total Other Financing Sources (Uses) | (50,000) | (75,001) | (75,000) | 1 |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 8,985 | (131,209) | (118,400) | 12,809 |
| Fund Balance-March 1, 2005 | 479,026 | 479,026 | 479,026 | - |
| Fund Balance-February 28, 2006 | \$ 488,011 | \$ 347,817 | \$ 360,626 | \$ 12,809 |

**VILLAGE OF NASHVILLE
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
February 28, 2006**

| | <u>Lakeview Cemetery</u> | <u>Drug Law Enforcement</u> | <u>Total</u> |
|---|------------------------------|---------------------------------|-----------------|
| <u>ASSETS</u> | | | |
| Cash and Cash Equivalents | \$ 4,653 | \$ 199 | \$ 4,852 |
| Investments | <u>2,000</u> | <u>-</u> | <u>2,000</u> |
| Total Assets | <u>\$ 6,653</u> | <u>\$ 199</u> | <u>\$ 6,852</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Liabilities | | | |
| Due to Other Funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Equity | | | |
| Fund Balance | | | |
| Unreserved | <u>6,653</u> | <u>199</u> | <u>6,852</u> |
| Total Fund Equity | <u>6,653</u> | <u>199</u> | <u>6,852</u> |
| Total Liabilities and Fund Equity | <u>\$ 6,653</u> | <u>\$ 199</u> | <u>\$ 6,852</u> |

VILLAGE OF NASHVILLE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended February 28, 2006

| | <u>Lakeview Cemetery</u> | <u>Drug Law Enforcement</u> | <u>Total</u> |
|--|------------------------------|---------------------------------|-----------------|
| Revenues | | | |
| Charges for Services | \$ 8,839 | \$ - | \$ 8,839 |
| Interest and Rentals | 76 | - | 76 |
| Other Revenue | <u>100</u> | <u>-</u> | <u>100</u> |
| Total Revenues | <u>9,015</u> | <u>-</u> | <u>9,015</u> |
| Expenditures | | | |
| General Government | | | |
| Cemetery | | | |
| Wages | 10,069 | - | 10,069 |
| Supplies | 502 | - | 502 |
| Utilities | 655 | - | 655 |
| Maintenance and Repairs | 1,170 | - | 1,170 |
| Miscellaneous | 146 | - | 146 |
| Public Safety | | | |
| Supplies | <u>-</u> | <u>340</u> | <u>340</u> |
| Total Expenditures | <u>12,542</u> | <u>340</u> | <u>12,882</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(3,527)</u> | <u>(340)</u> | <u>(3,867)</u> |
| Other Financing Sources (Uses): | | | |
| Operating Transfer In | <u>5,000</u> | <u>-</u> | <u>5,000</u> |
| Total Other Financing Sources (Uses) | <u>5,000</u> | <u>-</u> | <u>5,000</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | 1,473 | (340) | 1,133 |
| Fund Balance-March 1, 2005 | <u>5,180</u> | <u>539</u> | <u>5,719</u> |
| Fund Balance-February 28, 2006 | <u>\$ 6,653</u> | <u>\$ 199</u> | <u>\$ 6,852</u> |

VILLAGE OF NASHVILLE
PROPRIETARY FUND COMPARATIVE STATEMENTS OF NET ASSETS -
SEWER FUND

February 28, 2006 and 2005

| <u>ASSETS</u> | <u>2006</u> | <u>2005</u> |
|---|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 68,698 | \$ 28,545 |
| Receivables (Net) | | |
| Accounts | 19,932 | 20,622 |
| Connection Fees | 2,121 | 2,001 |
| Other | 5,800 | 5,800 |
| Restricted Assets | 94,629 | 109,726 |
| Capital Assets (Net of Accumulated Depreciation) | <u>2,715,357</u> | <u>2,822,799</u> |
| Total Assets | <u>\$ 2,906,537</u> | <u>\$ 2,989,493</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities | | |
| Accrued Liabilities | \$ 6,955 | \$ 7,645 |
| Due to Other Funds | 6,945 | 2,779 |
| Bonds Payable | <u>430,000</u> | <u>475,000</u> |
| Total Liabilities | <u>443,900</u> | <u>485,424</u> |
| Net Assets | | |
| Net Assets | | |
| Investment in Capital Assets, Net of Related Debt | 2,285,357 | 2,347,799 |
| Restricted for Debt Service | 94,629 | 109,726 |
| Unrestricted | <u>82,651</u> | <u>46,544</u> |
| Total Net Assets | <u>2,462,637</u> | <u>2,504,069</u> |
| Total Liabilities and Net Assets | <u>\$ 2,906,537</u> | <u>\$ 2,989,493</u> |

VILLAGE OF NASHVILLE
PROPRIETARY FUND COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - SEWER FUND
For the Years Ended February 28, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|---------------------|
| Operating Revenues | | |
| Charges for Services | \$ 176,052 | \$ 163,896 |
| Other Operating Revenue | <u>8,605</u> | <u>2,466</u> |
| Total Operating Revenues | <u>184,657</u> | <u>166,362</u> |
| Operating Expenses | | |
| Administration | 23,588 | 25,056 |
| Salaries and Fringe Benefits | 45,096 | 51,109 |
| Supplies | 15,647 | 14,396 |
| Contractual Services | 2,500 | 2,500 |
| Maintenance and Repairs | 6,143 | 4,673 |
| Miscellaneous | 191 | 1,349 |
| Depreciation | <u>113,130</u> | <u>112,047</u> |
| Total Operating Expenses | <u>206,295</u> | <u>211,130</u> |
| Operating Income | <u>(21,638)</u> | <u>(44,768)</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest Earned on Investments | 4,958 | 8,507 |
| Interest Expense | (21,510) | (23,542) |
| Loss on Disposal of Asset | <u>(3,242)</u> | <u>-</u> |
| Total Nonoperating Revenues (Expenses) | <u>(19,794)</u> | <u>(15,035)</u> |
| Change in Net Assets | (41,432) | (59,803) |
| Net Assets-Beginning | <u>2,504,069</u> | <u>2,563,872</u> |
| Net Assets-Ending | <u>\$ 2,462,637</u> | <u>\$ 2,504,069</u> |

VILLAGE OF NASHVILLE
PROPRIETARY FUND COMPARATIVE STATEMENTS OF NET ASSETS -
WATER FUND
February 28, 2006 and 2005

| <u>ASSETS</u> | <u>2006</u> | <u>2005</u> |
|---|----------------------------|----------------------------|
| Cash and Cash Equivalents | \$ 101,029 | \$ 230,158 |
| Receivables (Net) | | |
| Accounts | 28,282 | 29,958 |
| Connection Fees | 4,357 | 7,802 |
| Restricted Assets | 178,728 | 20,600 |
| Capital Assets (Net of Accumulated Depreciation) | <u>2,978,750</u> | <u>3,083,953</u> |
| Total Assets | <u>\$ 3,291,146</u> | <u>\$ 3,372,471</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities | | |
| Accrued Liabilities | \$ 26,078 | \$ 26,778 |
| Due to Other Funds | 3,974 | 4,082 |
| Bonds Payable | <u>1,740,000</u> | <u>1,802,000</u> |
| Total Liabilities | <u>1,770,052</u> | <u>1,832,860</u> |
| Net Assets | | |
| Net Assets | | |
| Investment in Capital Assets, Net of Related Debt | 1,238,750 | 1,281,953 |
| Restricted for Debt Service | 178,728 | 20,600 |
| Unrestricted | <u>103,616</u> | <u>237,058</u> |
| Total Net Assets | <u>1,521,094</u> | <u>1,539,611</u> |
| Total Liabilities and Net Assets | <u>\$ 3,291,146</u> | <u>\$ 3,372,471</u> |

VILLAGE OF NASHVILLE
PROPRIETARY FUND COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - WATER FUND
For the Years Ended February 28, 2006 and 2005

| | <u>2006</u> | <u>2005</u> |
|---|---------------------|---------------------|
| Operating Revenues | | |
| Charges for Services | \$ 259,458 | \$ 247,622 |
| Other Operating Revenue | <u>13,191</u> | <u>12,468</u> |
| Total Operating Revenues | <u>272,649</u> | <u>260,090</u> |
| Operating Expenses | | |
| Administration | 18,048 | 16,868 |
| Salaries and Fringe Benefits | 76,009 | 79,433 |
| Supplies | 14,853 | 17,432 |
| Contractual Services | 2,500 | 2,500 |
| Maintenance and Repairs | 10,829 | 19,004 |
| Miscellaneous | 472 | 3,743 |
| Depreciation | <u>105,203</u> | <u>104,866</u> |
| Total Operating Expenses | <u>227,914</u> | <u>243,846</u> |
| Operating Income | <u>44,735</u> | <u>16,244</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest Earned on Investments | 1,685 | 1,186 |
| Interest Expense | <u>(64,937)</u> | <u>(66,964)</u> |
| Total Nonoperating Revenues (Expenses) | <u>(63,252)</u> | <u>(65,778)</u> |
| Income (Loss) Before Contributions and Transfers In (Out) | | |
| Capital Contributions | <u>-</u> | <u>7,100</u> |
| Change in Net Assets | (18,517) | (42,434) |
| Net Assets-Beginning | <u>1,539,611</u> | <u>1,582,045</u> |
| Net Assets-Ending | <u>\$ 1,521,094</u> | <u>\$ 1,539,611</u> |



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Village Council
Village of Nashville
Barry County, Michigan

We have audited the financial statements of the Village of Nashville as of and for the year ended February 28, 2006, and have issued our report thereon dated May 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Nashville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Nashville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Village Council and management. However, this report is a matter of public record and its distribution is not limited.

Hastings, MI
May 5, 2006

Walker, Fluke & Sheldon, PLLC